



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

FEB 26 2302

Mr. Ray Hanley
Director
Arkansas Department of Human Services
Division of Medical Services
Donaghey Plaza South
P.O. Box 1437, Slot S411
Little Rock, Arkansas 72203-1437

Dear Mr. Hanley:

We are pleased to inform you that **the** Centers for Medicare & Medicaid Services (CMS) is approving your extension request for project No. 11-W-00115/6, entitled "ARKids B," for the period September 1, 2002, through September 30, 2005. The extension is granted under the authority of section 1115(a) of the Social Security Act (the Act) for the period September 1, 2002, through September 30, 2002, and section 1115(e) of the Act (section 4757 of the Balanced Budget Act of 1997 (BBA)) for the period October 1, 2002, through September 30, 2005.

Our extension of ARKids B, and the waivers and Federal matching authority provided for thereunder, is conditioned upon continued compliance with the enclosed Special Terms and Conditions currently in effect. These set forth in detail the nature, character, and extent of Federal involvement in the project. The approval is subject to our receiving your written acceptance of the extension award within 30 days of the date of this letter.

Consistent with section 1115(e)(7) of the Act (section 4757 of the BBA), **we** have included a budget neutrality trend rate for the extension. The trend rate is 1.6 percent (**see** Attachment D of the enclosed Special Terms **and** Conditions).

We will permit **Arkansas** to continue allowing applicants who qualify for Medicaid to choose to enroll in ARKids B, with the following caveats:

- The State must continue to provide sufficient information about the advantages and disadvantages of enrolling in ARKids B versus traditional Medicaid to enable applicants to make an informed choice. The State has made significant strides to amend its application form and processes to "destigmatize" traditional Medicaid and make an informed choice possible.
- The **State** must continue to allow ARKids B enrollees to apply for, and be determined eligible for, traditional Medicaid if their circumstances change and/or if they decide that being in traditional Medicaid would be more to their advantage.

The following waivers and expenditure authorities have not been amended since ARKids B was approved on August 19, 1997. Also, no changes have been made to the Special Terms and Conditions other than to extend the budget neutrality agreement in Attachment D through September 30, 2005.

The following waivers of provisions of the Act remain in effect in order to enable Arkansas to carry out the ARKids B demonstration through the extension period:

1.

Amount, Duration and Scope of ~~Services~~

1902(a)(10)(B)

To enable the State to ~~offer~~ a different benefit package to demonstration participants than is being offered to the traditional Medicaid population.
2.

Freedom-of-Choice

1902(a)(23)

To enable the State to restrict freedom of choice of provider for demonstration participants.

Under the authority of section 1115(a)(2) of the Act, expenditures made by the State for the item identified below (which would not otherwise be included as matchable expenditures under section 1903) shall, for the period of this extension, be regarded as matchable expenditures under the State's Medicaid state plan:

Expenditures for extending health insurance coverage to children through age 18 with family income at or below 200 percent of the Federal Poverty Level, who would not otherwise be eligible for Medicaid.

In addition, the restrictions on copayments in section 1916, as incorporated in section 1902(a)(14), will not apply to the ARKids B population.

Your project officer continues to be Ms. Joan Peterson, who may be reached at (410) 786-0621. Ms. Peterson is available to answer any questions concerning the scope and implementation of ARKids B. Communications regarding program matters should be submitted to the project officer at the following address: Centers for Medicare & Medicaid Services, Center for Medicaid and State Operations, Mail Stop S2-01-16, 7500 Security Boulevard, Baltimore, Maryland 21244-1850.

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We appreciate Arkansas' accomplishments in administering this innovative program and look forward to continuing to work with you during the course of the project.

Sincerely,

Thomas A. Scully

Enclosure